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MARITIME SAFETY COMMITTEE  
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Agenda item 6

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**LRIT-RELATED MATTERS****Billing issues****Submitted by the United States****SUMMARY**

<b><i>Executive summary:</i></b>	This document provides information on the views of the United States regarding billing issues on LRIT. It should be read in conjunction with the paper the United States submitted regarding various issues on LRIT in response to the questions put to SOLAS Contracting Governments by COMSAR 11
<b><i>Action to be taken:</i></b>	Paragraph 9
<b><i>Related document:</i></b>	COMSAR 11/18, section 14

**Background**

1 At COMSAR 11, several delegations indicated that ships entitled to fly their flag would be entered in an LRIT Data Centre (DC), whether National (NDC), Regional (RDC) or Co-operative (CDC), or the International LRIT Data Centre (IDC), but they had no intention of requesting all LRIT information transmitted by ships entitled to fly their flag. The *Ad hoc* Working Group on engineering aspects of LRIT (the Group) has concluded that this will result in data being provided, for which there will necessarily be a charge to the DC to which it is provided, and for which the DC will have to pay the Application Services Provider (ASP), but for which the DC must await a request from a SOLAS Contracting Government (Contracting Government) in order to recoup those costs. These costs can be quite substantial, depending on how many ships' 4 times daily data is transmitted to the DC(s) under this circumstance.

2 At present, without an accurate forecast by Contracting Governments of their projected needs (and requests) for LRIT information, the prospective bidders for the IDC, in particular, are left to speculate on that vital information in order to formulate their bids for the IDC. It is expected that the LRIT Co-ordinator will not favourably endorse to the Committee any proposal for the IDC that does not present a sound business model (i.e., income must cover costs over the long-term). Further, Contracting Governments must decide whether to form a NDC or join a RDC or CDC without such vital information.

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3 In a companion paper submitted at the same time as this one, regarding various issues on LRIT in response to the questions put to Contracting Governments by COMSAR 11, the United States has projected its intentions with respect to usage and estimated payments. It should be noted that this projection is based on a nominal per message cost of USD 0.25 per message. It should also be noted that the per message cost is composed of a simple formula: total transmission costs divided by total messages paid (or to be paid) for. Neither this formula nor the United States' estimates included in this paper take into account the overhead costs for the charges by the LRIT Co-ordinator or the IDE for services performed to the DC or the SAR message costs, which the DC must also recoup. These have not been included because they are not sufficiently definite or known yet to allow for inclusion in the calculation. However, it is anticipated that these incremental costs will not increase the per message cost appreciably. It should also be noted, that to the extent the DC has LRIT information for which it has paid, but for which the Administration concerned has not indicated a willingness to pay, the DC presumably could charge all its costs to the first Contracting Government that does request LRIT information, in order to recoup its costs and maintain itself on a sound business footing. Of course, a DC might choose not to charge the first requester for all the accumulated costs to date. Instead, it could attempt to forecast requests for information by other Contracting Governments over a periodic interval (weekly, monthly, etc.) and pro-rate the charges accordingly. However, it can be observed that this latter process is necessarily built on assumptions that are only as valid as the underlying information on which they are based. Because there has thus far been a lack of indication by Contracting Governments of their intended usage of the LRIT system, such assumptions at this point are speculative, unreliable and will not be considered further in this paper.

4 It can readily be seen that a DC desiring to recoup its costs from the first purchaser will result in the "first purchaser" Contracting Government being charged for data which it has not requested (i.e., the "overhead" data that no Contracting Government has up to that time requested). This is not in keeping with the principles on which the LRIT system was established. Indeed, it may be argued that the "first purchaser" Contracting Government is being discriminated against in being asked to subsidize the costs of the LRIT system caused by those Contracting Governments who are not doing their part to ensure the LRIT system remains viable.

5 In order for the LRIT system to function and remain viable on a long-term basis, it is necessary that there be a reasonable "per message" cost for data. If, for example, it is more cost effective for a Contracting Government to learn the whereabouts of ships off their coasts (or calling at their ports) by other means as efficaciously as using the LRIT system, it is unlikely that they will use the LRIT system. Thus, those Contracting Governments, which might see value in the data (at a reasonable cost), and would therefore "purchase" the data from DCs, will cease doing so. A simple and hopefully absurd example will illustrate this point.

6 Suppose, as has been hypothetically mentioned in the Group, instead of USD 0.25 per message, the cost is USD 1,000.00 per message because there are an accumulation of messages in the DC, for which the DC has paid the ASP, and for which the DC must recoup if it is to survive economically. If no Contracting Government has (before the first request for data from a Contracting Government) requested any of that data, it is highly unlikely that the first requesting Contracting Government that is presented with a bill for USD 1,000 for its first data request will continue to use the LRIT system. Instead, it will search for ways to obtain the data in other ways that are more cost effective.

7 The LRIT system was always envisioned as an international system to be available to all Contracting Governments on a non-discriminatory fair and economically sustainable basis. All Contracting Governments, having adopted the 2006 SOLAS (chapter V) amendments

(MSC.202(81)) (the 2006 SOLAS amendments), have an obligation to ensure the LRIT system is sustainable. No one Contracting Government should be called upon to bear a disproportionate share of the costs. The United States does not expect any other Contracting Government to pay a disproportionate and unfair amount of the costs of the system in order to subsidize non-use of the LRIT system.

8 Those Contracting Governments that, as Administrations, who do not wish to pay for the initial data on the ships entitled to fly their flag or otherwise ensure their initial ships' data costs to the DCs from the ASPs is paid for so that the DC may function, and the per message cost for all is kept to a reasonable level, may, if their domestic law so provides, utilize the provisions of SOLAS regulation 19-1/11.2, in order to pass the costs onto the ships entitled to fly their flag. At a reasonable per message transmission cost of USD 0.25, four times per day, that results in a per ship charge of USD 365 per annum or a mere USD 1.00 per day. While there may be some who will say that such a scheme is contrary to the letter and spirit of the 2006 SOLAS amendment and that only the Contracting Governments that request data should pay and Contracting Governments that do not request data should not have to pay anything, the United States responds, the long-term viability of the LRIT system is based on Contracting Governments requesting enough data to sustain the LRIT system. This will only be possible if the per message cost is maintained at a reasonable level. It is, therefore, necessary that enough Contracting Governments request and pay for enough data to sustain the LRIT system. This proposal offers a way forward to that end that does not impose an unreasonable burden on any one part of the LRIT system – Contracting Governments or ships.

#### **Action requested**

9 The Committee and the Intersessional MSC Working Group on LRIT are invited to consider the above and decide as appropriate.

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